

# **THE ABC's of CDBG**

*A Primer for Nonprofit  
Organizations*

Northern Arizona Council of Governments  
Updated September 2010

# A

## WHAT IS CDBG?

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Did you hear the term “CDBG” and think it meant “Country Dumplings in Barnacle Gravy”, or something more interesting? The meaning is actually less exotic. CDBG, or Community Development Block Grant, is a U.S. Housing and Urban Development (HUD) Small Cities Program that provides funds for housing and community development activities in rural Arizona. The Arizona Department of Housing is the state agency which administers the funds. Northern Arizona Council of Governments (NACOG) administers the planning of annual allocations and provides technical assistance for application and project success.

The Department of Housing allocates funds to the four rural Councils of Government (COG's) based on a poverty/population formula. NACOG, in turn, allocates funds among the four counties of Apache, Coconino, Navajo, and Yavapai with the same formula. Within each county a rotation schedule has been established which determines the year each city, town and county will apply for funding. The current schedule is in the Appendix.

CDBG can fund a diverse assortment of projects. However, to be eligible for funding, projects must meet at least one of three national objectives as authorized by Title I of the Housing and Community Development Act of 1974:

- ♦ at least 51% of the persons who benefit from the project must be low to moderate income;
- ♦ the project must aid in the prevention or elimination of slums or blight; or
- ♦ the project must solve an urgent need health hazard.

# B

## HOW TO MEET A NATIONAL OBJECTIVE

A project design must meet at least one of the three national objectives to be eligible for funding.

- ♦ At least 51% of the persons who benefit from the project must be low to moderate income.
  - \* This is the national objective under which you will probably request funding. At least 51% of the beneficiaries must earn 80% or less of the county median income, adjusted by household size. Current rates are in the Appendix. You must be able to substantiate your claim by **hard data**.
- ♦ The project must aid in the prevention or elimination of slums or blight.
  - \* The community will designate a target neighborhood or area per Arizona laws that has multiple infrastructure or housing needs and is dilapidated or becoming blighted.
- ♦ The project must solve an urgent need health hazard.
  - \* The health safety problem must be life threatening and an emergency.

### Low Moderate Income Benefit

Congress has defined certain populations as automatically low to moderate income, evidence to the contrary.

If your program is **specifically** for:

- Persons who are elderly
- Adults with severe disabilities
- Persons who are homeless
- Abused children
- Battered spouses
- Persons who are illiterate
- Persons living with AIDS
- Migrant farm workers

... you will normally not have to prove the 51% benefit to low to moderate income persons. However, if persons in these groups are

some of your participants, but the program is not for them only, you will still need to prove the 51% low-moderate income.

If your program income qualifies persons for service and the income schedule is 80% of the county median income or less...

**... your project can be considered low-mod income benefit based on your income schedule.**

If you feel that at least 51% of your participants are low-mod income or less but have no information to prove it...

**... you can do an income survey, but you must follow Housing's prescribed format.**

If at least 51% of your participants do not meet the low-mod income criteria...

**... your program may not be eligible for CDBG funding...** you may wish to advocate for other services or programs that benefit your participants who are low-mod income, such as housing rehabilitation or replacing deteriorated water lines in a low income neighborhood.

# C

## WHAT CAN CDBG DO FOR YOU?

Do you get frustrated because there are not enough resources to truly meet the needs of your participants? Are you peeved because your funding source says, "O. K., you can do this, but you can't do that"...and you know that the participant really needs "that"? Are you tired of playing "catch-up" and never able to really meet all of your program priorities? Is your facility outgrown, with a leaky roof and no disability accessibility?

The CDBG program has its limitations also, but, if you can prove that the participants meet the low moderate income criteria, CDBG may be the funding source for you to consider for activities and projects like:

**Fire Protection:** fire stations, fire trucks, equipment and apparatus.

**Infrastructure:** water or wastewater system improvements, flood and drainage improvements, road/street improvements.

**Homeless Facilities:** land/building acquisition, construction, reconstruction.

**Food Bank, Senior Center, Center for Persons with Disabilities:** acquisition of land or building, construction, reconstruction, expansion, parking lot, landscaping, permanently affixed equipment.

**Shelters, Halfway Houses, Group Homes:** for runaway children, substance abusers, parolees, group homes for persons with disabilities, emergency and transitional shelters, hospitals, nursing homes.

**Removal of Architectural Barriers:** remove architectural barriers which restrict the accessibility of persons with disabilities or the elderly to publicly or privately owned buildings; e.g., elevators, ramps, rest rooms, curb and gutter cuts.

**Privately Owned Housing Rehabilitation:** may be grants or loans, to perform a variety of housing rehabilitation measures.

**Historic Preservation:** rehabilitation, preservation or restoration of historic properties. Must be listed on or eligible to be listed in the National Register of Historic Places, listed in a state or local inventory of historic places, or designated as a state or local landmark or historic district by law or ordinance.

**Economic Development:** funding to provide technical assistance to promote economic development; job creation, retention, or job training.

**Public Services:** for a new service or measurable increase in the level of existing service; includes labor, supplies and materials, facility operations and maintenance. Sample services – health care, job training, education programs, public safety services, fair housing activities, senior citizen, handicapped, homeless services, substance abuse counseling and treatment, energy conservation.

**Special Activities:** lead-based paint evaluation or reduction, neighborhood revitalization, community economic development, energy conservation carried out by Neighborhood Based Non-Profit Organizations, Section 301(d) Small Business Investment Companies, or Local Development Corporations that meet the required definitions.

**Home ownership Assistance:** this has been annually authorized, you need to see if it is available in a particular year. Subsidize interest rate and mortgage principal, finance acquisition, acquire guarantees for mortgage financing, pay up to 50% of the down payment, pay reasonable closing costs. (FUNDING IS NOT AVAILABLE AT THIS TIME)

**Housing Development Support:** acquisition, on-site and off-site improvements, clearance or demolition. Community may not turn over the title to the property to a nonprofit for housing construction until the measures are completed.

**Planning:** comprehensive plans, housing plans, homeless studies, fair housing, neighborhood revitalization strategy. Data gathering, analysis, review of alternatives, identification of actions to implement plans.

### **INELIGIBLE ACTIVITIES**

A general rule of thumb is that CDBG may NOT fund activities for 1) the conduct of government or general government expenses; 2) political or religious purposes; 3) construction of new permanent residential structures EXCEPT as allowed by a CBDO.

### **TECHNICAL ASSISTANCE**

Discuss any project that you are considering with your community's CDBG staff person, or contact Isabel Rollins, CDBG Program Manager, NACOG, P.O. Box 2451, Prescott, AZ 86302; 928-778-2692.

# D

## LIMITATIONS OF CDBG

O.K., so you now know that CDBG can be a wonderful resource. What are the CDBG limitations you need to understand before you get too excited?

- ♦ **You May NOT Apply for Funds Directly.** Only incorporated entities (cities, towns and counties) may apply for CDBG funds; you must request your community to apply for funds for you.
- ♦ **Federal Overlay Statutes apply to CDBG which can drive up the cost of your project.** The major ones for you to consider in project planning are:
  - \* **Your agency must be a legal entity, which can enter a contract.** There will be an agreement with the community that will outline your responsibilities. The agreement will also include items that are non-negotiable. If you cannot live with these, there is probably no need to apply for CDBG.
    - Nondiscrimination in program operations and provision of services, employment, procurement;
    - Nondiscrimination in facility use policies;
    - Fees impact on low income families/persons must be negligible;
    - Insurance, usually \$1,000,000, will need to be carried;
    - Workers Compensation will be required, should be paid on volunteers;
    - No assignment or subletting without the community's permission;
    - Hold the community harmless for any event arising from the agreement (you will pay, not the community);
    - Records will have to be kept for at least five years;
    - Records will have to be available, upon request, to the community, Department of Housing, and HUD;
    - Anti-lobbying provisions will need to be met.
  - \* An **Environmental Review** is required on all projects. There can be a time delay if a special study is required. If the Environmental Review uncovers a negative effect on the environment, mitigation may be required which can increase the cost of the project, or the project may be found to be non-fundable with federal funds at the selected location.

\* **Competitive Procurement** policies must be followed. If you have a favorite contractor or vendor, he/she may not get the bid. This may sound like an unusual statement, but sometimes a nonprofit has been working with a very helpful and supportive contractor or vendor to develop the project and there have already been discussions of a price or terms that are agreeable to both parties. The project will nevertheless have to go out to bid.

\* **Labor Standards** include Davis Bacon wages (established construction employee minimum wage rates: example - \$21.22 per hour for a carpenter), which will make the cost of construction more expensive. A safe estimate of increased cost is to add 20% to 30% to the cost of labor. If your project cost can be covered entirely with the grant, this should not be a problem. If however, you are planning a large project and putting your own dollars into it, the wages will apply to the total project, not just the CDBG portion, so the total cost of the project may increase and, possibly, your contribution to it will increase. Sometimes the Davis Bacon wage requirement makes the grant money “cost” more than the benefit.

♦ **You will be required to make a minimum five-year commitment to the project.** If you do not fulfill this obligation, the community could be asked to return funds, and it will in turn ask you for the money.

♦ **There can be a long time between grant application and actual release of funds.** This sample timeline reflects a construction project:

March	Applications submitted to NACOG
June/July	Applications submitted to Arizona Department of Housing
October	Grant signed
January	Completion of Environmental Review
February	Procure Design
May	Procure Construction
June	Begin Construction



# E

## HOW DO YOU GET CDBG FUNDS?

The community is required to hold at least two public hearings: the first to receive public input and to discuss potential CDBG projects and the second to prioritize the projects. The hearings will be announced by ads in your local paper. The community may not apply for a project that is not discussed at the hearings. **This is your opportunity.** Attend those hearings and make your case known.

### **HINT 1**

Bring written materials to the hearing that will make it easy for the community to write the grant. Bring at least two copies – one for the City/Town/County or minutes, and one for the staff who has to write the grant. Be clear and concise; each statement should be no longer than one brief paragraph. Your community might also have it's own pre-application form they would like you to use. You can elaborate in your verbal presentation.

- Describe the project you want
- Describe the need for the project
- Describe who the beneficiaries are; state the number of persons who will benefit and the number who are low to moderate income. (All persons served are low moderate income if the beneficiaries are one of the target populations.)
- Describe how the project will benefit low moderate income persons
- Estimate a cost range for the project, keeping in mind Davis Bacon wage rates
- Provide a contact person, address, and phone number

### **HINT 2**

If your request is looked upon favorably, be prepared to provide your community a copy of at least:

- Operations budget
- Articles of Incorporation
- List of your board members
- Name and title and phone number of intake or eligibility worker
- Proof that at least 51% of your participants have low to moderate income (not needed if you are serving one of the target population groups)
- Fee schedules and proof that the fees are affordable to low to moderate income persons
- Deeds, leases, agreements, if appropriate
- Any other item requested by the community, NACOG, or Department of Housing

### **HINT 3**

You cannot expect that a Council or Board of Supervisors will wish to

put funding into a project that they are unfamiliar with, or expect that they can understand what you are trying to do to help the residents and voters of their community from information given at a couple of Public Hearings. If you truly see CDBG as the solution to your dilemma, inform the Council/Board of your program and your plans before the hearings. Invite them to see your operations.

For a CDBG project between the community and a nonprofit to be successful, there will need to be a partnership. The community will need a clear understanding of the nonprofit's program and needs and the nonprofit will need a clear understanding of the timelines and limits of CDBG.

**HINT 4**

The City or Town Council or Board of Supervisors has the right and the responsibility to select the project which best fits the community's housing and community development needs. Although you may think that a homeless shelter, for example, is the best use of the funds, the Town Council may think that replacing deteriorated water lines that are causing a health hazard a greater priority.

### ROTATION SCHEDULE

Apache County	2011	Town of Springerville
	2012	Apache County
	2013	City of St. Johns
	2014	Town of Eagar
Coconino County	2011	Town of Fredonia
	2012	City of Page
	2013	Coconino County
	2014	City of Williams
Navajo County	2011	Navajo County
	2012	Town of Snowflake and City of Winslow
	2013	City of Holbrook and City of Show Low
	2014	Town of Taylor and Town of Pinetop-Lakeside
Yavapai County	2011	City of Cottonwood, City of Sedona, Town of Dewey-Humboldt
	2012	Town of Prescott Valley and Town of Jerome
	2013	Yavapai County
	2014	Town of Camp Verde, Town of Chino Valley, Town of Clarkdale

### 2010 LOW TO MODERATE INCOME LIMITS

County	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
Apache	24,950	28,500	32,050	35,600	38,450	41,300	44,150	47,000
Coconino	35,800	40,900	46,000	51,100	55,200	59,300	63,400	67,500
Navajo	24,950	28,500	32,050	35,600	38,450	41,300	44,150	47,000
Yavapai	30,250	34,600	38,900	43,200	46,700	50,150	53,600	57,050

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